

## Riding the pandemic wave... Time to stock up

Nestle Nigeria (Nestle) reported Revenue growth of 6.7% y/y to N284.0bn for FY 2019 from N266.3bn and post-tax profit growth of 6.2% y/y to N45.7bn from N43.0bn in FY 2018. On a q/q basis, Revenue growth was down 4.7% to N72.7bn in Q4 2019. The company's reported Revenue of N284.0bn for FY 2019 beats our FY 2019 estimate of N278.2bn while Net profit missed our estimate of N50.3bn.

In our view, the impact of the coronavirus outbreak will have a mixed effect on Nestle's FY 2020e performance. We see a positive impact in H1 2020 as consumers have stocked up and continue to stock up ahead of expectations of lock down in various parts of the country. Nestle, with several essential consumables in its product portfolio, is a prime beneficiary of such bulk purchases. However, post COVID-19 is filled with uncertainties as possibilities of a possible recession grows which implies a possibly bleak H2 that could smoothen out any gains from H1. Overall, we forecast a Revenue growth of 5.2% y/y to N298.9bn and Net Income growth of 15.3% y/y to N52.7bn in FY 2020.

Higher cost of equity reflecting the high-risk environment explains the marginal cut in our target price for Nestle to N1,323.27/s from N1,356.97/s. We note this implies a 73.0% upside to yesterday's (2nd Apr 2020) closing price of N765/s. On a forward basis, Nestle trades at a PE ratio of 11.52x, which is a steep discount to our peer average of 27.68x despite superior Revenue growth, Return on Equity, EBITDA margin and low leverage. In lieu of this, we review our recommendation to a BUY from a HOLD recommendation previously.

### FY 2019 Review

#### FY 2019 Revenue beats estimate by 2.1%

In its FY 2019 result, Nestle Plc reported a 6.7% y/y increase in Revenue to N284.0bn from N266.3bn in FY 2018. On a q/q basis, Revenue grew 4.7% q/q to N72.7bn in Q4 2019 from N69.4bn in Q3 2019. The growth in Revenue was driven by improved sales growth across Food (up 4.7% y/y to N176.1bn) and Beverage (up 10.0% to N107.9bn) business segments. We note reported Revenue of N284.0bn beat our 2019e of N278.2bn by 2.1%. In addition, we note the company recorded a rebound in its quarterly Revenue growth following two consecutive quarters of disappointing performances. Nestle's Revenue growth has remained resilient despite sustained weakness in consumer and macroeconomic fundamentals. We think the company's strong distribution network, superior branding and wide product portfolio which makes it stand out among peers in our coverage, helps sustain Nestle's Revenue growth.

#### Cost growth lags Revenue growth... Drives margin expansion

Cost of Sales (ex-depreciation) grew 2.1% y/y to N150.3bn in FY 2019 from N147.2bn in FY 2018, which was slower than the growth in Revenue. We believe the moderate

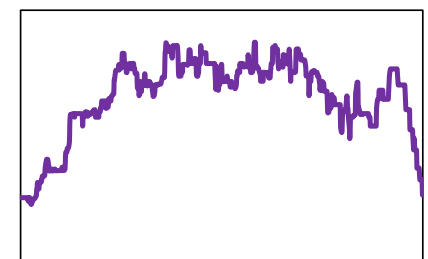
Recommendation	Buy
Target Price	1,323.27
Closing Price	765.00

\*Price as at 02 Apr

#### Key data

Year to December, Nbn				
	2019	2020e	2021e	2022e
Sales	284.0	298.9	315.6	322.6
EBITDA	79.5	84.9	89.6	88.4
Net Profits	45.7	52.7	55.2	54.3
EPS, N	57.6	66.4	69.7	68.5
PE Ratio	13.3x	11.5x	11.0x	11.2x
EV/EBITDA	7.7x	7.2x	6.9x	6.9x
Dividend yield	8.3%	8.3%	8.7%	8.5%
Market cap.	N606.4bn (US\$1.6bn)			
Free float	33.8%			
Bloomberg	NESTLE.NL			
Reuters	NESTLE.LG			

#### Three-year graph



Mar-17 Mar-18 Mar-19 Mar-20

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growth in Cost of Sales was driven by flattish growth in factory overheads and steep decline in other expenses line item as Raw material costs for the year was higher by 6.3% y/y. We note key raw materials saw minimal price pressure in the first half of 2019 although prices ramped up towards the end of the year. Nevertheless, the minimal average price growth helped keep raw material cost growth in line with volume growth. Gross Profit was up 12.3% y/y to N133.7bn in FY 2019 from N119.1bn in FY 2018 while Gross margin expanded 2.4ppts in FY 2019 to 47.1% on the back of lower y/y growth in Cost of Sales when compared to Revenue growth.

### Nestle Nigeria, FY 2019, Nm

Nm, except where mentioned otherwise	FY'19	FY'18	y/y	Q4'19	Q3'19	q/q
Revenue	284,035	266,275	6.7%	72,688	69,438	4.7%
Cost of Sales (Ex-Dep)	(150,300)	(147,175)	2.1%	(39,179)	(37,890)	3.4%
<b>Gross Profit</b>	<b>133,735</b>	<b>119,100</b>	<b>12.3%</b>	<b>33,508</b>	<b>31,548</b>	<b>6.2%</b>
Marketing and Distribution Expenses (Ex-Dep)	(44,587)	(42,109)	5.9%	(13,319)	(10,679)	24.7%
Administrative Expenses (Ex-Dep)	(9,635)	(9,444)	2.0%	(2,946)	(2,498)	17.9%
<b>EBITDA</b>	<b>79,513</b>	<b>67,547</b>	<b>17.7%</b>	<b>17,244</b>	<b>18,371</b>	<b>-6.1%</b>
Depreciation and Amortization	(7,451)	(6,906)	7.9%	(2,232)	(1,755)	27.2%
<b>Operating Profit</b>	<b>72,062</b>	<b>60,641</b>	<b>18.8%</b>	<b>15,012</b>	<b>16,616</b>	<b>-9.7%</b>
Other Income	-	-	n/a	-	-	#DIV/o!
<b>EBIT</b>	<b>72,062</b>	<b>60,641</b>	<b>18.8%</b>	<b>15,012</b>	<b>16,616</b>	<b>-9.7%</b>
Net Finance Income/(Expense)	(938)	(890)	5.4%	(442)	(498)	-11.2%
<b>Profit before tax</b>	<b>71,124</b>	<b>59,751</b>	<b>19.0%</b>	<b>14,570</b>	<b>16,118</b>	<b>-9.6%</b>
Tax Expense/Credit	(25,441)	(16,743)	51.9%	(5,728)	(5,522)	3.7%
<b>Net Profit</b>	<b>45,683</b>	<b>43,008</b>	<b>6.2%</b>	<b>8,842</b>	<b>10,596</b>	<b>-16.6%</b>
Earnings per Share	57.63	54.26		11.15	13.37	
<b>Margins:</b>	<b>FY'19</b>	<b>FY'18</b>	<b>y/y</b>	<b>Q4'19</b>	<b>Q3'19</b>	<b>q/q</b>
Gross margin	47.1%	44.7%	2.4ppts	46.1%	45.4%	0.7ppts
EBITDA Margin	28.0%	25.4%	2.6ppts	23.7%	26.5%	-2.7ppts
PBT Margin	25.0%	22.4%	2.6ppts	20.0%	23.2%	-3.2ppts
Net margin	16.1%	16.2%	-0.1ppts	12.2%	15.3%	-3.1ppts

Source: Company, CSL Research

### Brand investment drives Opex growth

Nestle recorded a 5.2% y/y increase in Operating Expenses (adjusted for depreciation) to N54.2bn in FY 2019 from N51.6bn in FY 2018. The increase in Operating Expenses was driven largely by growth in Marketing & Distribution Expenses adjusted for depreciation (up 5.9% y/y) and Administrative Expenses adjusted for depreciation (up 2.0% y/y). We attribute the growth in Opex to increased spending on distribution and sales promotion activities as the company strives to maintain its underlying brand popularity. Slower growth in Operating Expenses compared to Gross Profit drove EBITDA higher by 17.7% y/y to N79.5bn in FY 2019 from N67.5bn in FY 2018. However, EBITDA was lower in Q4 compared to Q3, down 6.1% q/q.

### Tax expense surprises negatively...Drags EPS below estimate

Depreciation & Amortisation rose 7.9% y/y to N7.5bn in FY 2019 from N6.9bn in FY 2018. Nevertheless, EBIT was up 18.8% y/y to N72.1bn in FY 2019 from N60.6bn in FY 2018. Net Finance Cost climbed 5.4% y/y to N938.2m despite lower Finance cost (down 13.0% y/y) as Finance Income dipped 22.6% y/y on lower Cash and yield environment. Nevertheless, Pre-Tax Profits grew 19.0% y/y to N71.1bn in FY 2019 from N59.8bn in FY 2018 which was ahead of our FY 2019 estimate of N69.8bn. However, higher than expected effective tax rate caused a 51.9% y/y jump in Tax expense to N25.4bn. Consequently, reported Net Income of N45.7bn came in below our 2019 estimate of N50.3bn, a 6.2% y/y growth from N43.0bn in FY 2018. Earnings per Share printed at N57.63/s in FY 2019 (CSL Estimate – N60.23/s).

## Outlook and Forecasts

### Revenue outlook; A tale of two halves

Prior to the outbreak of the Coronavirus pandemic in Nigeria, discussion with members of the distribution channel revealed the channels were heavy on unsold inventory and noted their plans to cut back on target agreements with Nestle heading into 2020. This was evident in slow sales in January and February. We expected this would impact Revenue during the year.

However, since the outbreak of the coronavirus and the imposition of lockdowns on key markets like Lagos, Abuja and Ogun, a moderate growth in sales has been recorded and the distribution channels are gradually being decongested. However, we note macroeconomic outlook in Nigeria is gradually turning bleak with a recession very imminent. Thus, we believe, post COVID-19, Nigerian consumers would see purchasing power weaken on currency devaluation, higher inflation, unemployment and lower income. Thus, we expect Nestle would record higher than its 2-year average Revenue growth in H1 2020 but would see some pressures in H2 2020 which we expect to smoothen the H1 bump. We forecast FY 2020 Revenue growth of 5.2% to N298.9bn.

### Cost outlook positive on pandemic driven commodities price decline

The outbreak of the Coronavirus on a global scale has altered the cost outlook story for our coverage consumer firms. From Q3 2019, cost narrative pointed to weaker margins as key raw materials' prices headed higher. However, with the COVID-19 outbreak, key raw materials have recorded heavy price slumps as demand weakness emerged as a concern. Against this backdrop, we model a record low cost margin of 52.0% (Prior record – 52.5% in 2015) for Nestle which implies a mild 3.4% y/y growth in Cost of sales. Our Gross profit forecast of N143.5bn implies a 7.3% y/y growth and a Gross margin of 48.0%.

### Profit lines firmly upbeat on higher tax base

Our key profit lines remain firmly upbeat in 2020. We forecast a 6.8% y/y increase in EBITDA, a 6.4% y/y increase in EBIT and 5.8% y/y increase in PBT. We see a strong upside to Net Profit in 2020 considering higher tax base in 2019. We model Effective tax rate of 30.0% (FY 2019A – 35.8%). We forecast Net Income to grow 15.3% y/y to N52.7bn while we forecast Earnings per Share of N66.43/s for FY 2020e.

### Valuation: Trading at steep discount...Time to stock up

Higher cost of equity reflecting the risk-on environment explains the marginal cut in our target price to N1,323.27/s from N1,356.97/s. We note this implies a 73.0% upside to yesterday's (2 Apr 2020) closing price of N765/s. Nestle currently trades at a TTM PE ratio of 13.27x which is a steep discount to 5-year average of c.44.0x. On a forward basis, it trades at a PE ratio of 11.52x which is a discount to our peer average of 27.68x despite superior Revenue growth, Return on Equity, EBITDA margin and low leverage. Thus, we consider the stock heavily discounted following panic sell-downs which has characterized EM equities in the past month. Thus, we review our recommendation to a BUY from a HOLD recommendation previously.

## Nestle Nigeria, Changes in Forecast, Nm

	Previous forecast	New Forecast	Change
Sales 2020e, Nm	286,900	298,892	4.2%
Sales 2021e, Nm	294,843	315,619	7.0%
Sales 2022e, Nm	302,131	322,639	6.8%
Gross Profits 2020e, Nm	130,540	143,468	9.9%
Gross Profits 2021e, Nm	131,205	151,497	15.5%
Gross Profits 2022e, Nm	134,448	151,641	12.8%
EBITDA 2020e, Nm	75,734	84,885	12.1%
EBITDA 2021e, Nm	74,698	89,636	20.0%
EBITDA 2022e, Nm	76,729	88,403	15.2%
Net Profits 2020e, Nm	48,852	52,660	7.8%
Net Profits 2021e, Nm	47,919	55,236	15.3%
Net Profits 2022e, Nm	49,331	54,294	10.1%
Earnings per Share 2020e, N	58.55	66.43	13.5%
Earnings per Share 2021e, N	57.43	69.69	21.3%
Earnings per Share 2022e, N	59.12	68.50	15.9%

Source: CSL Research

## Nestle Nigeria, Nm

## Nestle Nigeria

Nm (unless otherwise stated)

Income Statement	2017	2018	2019	2020E	2021E	2022E	2023E
Revenues	244,151	266,274	284,035	298,892	315,619	322,639	329,885
Cost of Sales*	(138,416)	(147,175)	(150,300)	(155,424)	(164,122)	(170,999)	(178,138)
<b>Gross Profit</b>	<b>105,735</b>	<b>119,099</b>	<b>133,735</b>	<b>143,468</b>	<b>151,497</b>	<b>151,641</b>	<b>151,747</b>
Total Opex*	(43,551)	(51,552)	(54,222)	(58,583)	(61,861)	(63,237)	(64,657)
<b>EBITDA</b>	<b>62,184</b>	<b>67,548</b>	<b>79,513</b>	<b>84,885</b>	<b>89,636</b>	<b>88,403</b>	<b>87,090</b>
Depreciation & Amortisation	(6,486)	(6,906)	(7,451)	(8,229)	(9,010)	(9,808)	(10,625)
Other Income	-	-	-	-	-	-	-
<b>EBIT</b>	<b>55,698</b>	<b>60,642</b>	<b>72,062</b>	<b>76,657</b>	<b>80,626</b>	<b>78,595</b>	<b>76,465</b>
PBT before Exceptional Items	46,829	59,750	71,124	75,228	78,909	77,563	75,367
Exceptional Items	-	-	-	-	-	-	-
<b>PBT</b>	<b>46,829</b>	<b>59,750</b>	<b>71,124</b>	<b>75,228</b>	<b>78,909</b>	<b>77,563</b>	<b>75,367</b>
Taxation	(13,105)	(16,742)	(25,441)	(22,569)	(23,673)	(23,269)	(22,610)
<b>Net Profits</b>	<b>33,724</b>	<b>43,008</b>	<b>45,683</b>	<b>52,660</b>	<b>55,236</b>	<b>54,294</b>	<b>52,757</b>
Minority Interest	-	-	-	-	-	-	-
EPS, N	42.55	54.26	57.63	66.43	69.69	68.50	66.56
DPS, N	40.00	58.50	63.50	63.11	66.20	65.07	63.23
Payout Ratio	94%	108%	110%	95%	95%	95%	95%
Dividend Sum	31,706	46,370	50,334	50,027	52,475	51,580	50,119
Number of Shares Outstanding	793	793	793	793	793	793	793

\*Cost of Sales and Total Opex adjusted for Depreciation &amp; Amortisation

Balance Sheet	2017	2018	2019	2020E	2021E	2022E	2023E
Fixed Assets	72,378	73,366	79,394	84,615	89,808	94,518	98,738
Right of Use Assets	-	-	4,386	4,386	4,386	4,386	4,386
Intangible Assets	-	-	-	-	-	-	-
Other Non-current Assets	2,155	6,235	2,557	2,557	2,557	2,557	2,557
<b>Non-Current Assets</b>	<b>74,533</b>	<b>79,600</b>	<b>86,337</b>	<b>91,558</b>	<b>96,751</b>	<b>101,461</b>	<b>105,681</b>
Stocks	23,910	23,124	33,279	38,856	27,901	29,070	30,283
Trade & Other Receivables	33,221	43,403	66,722	69,647	79,806	71,882	73,476
Cash and Cash Equivalents	15,139	15,762	6,978	8,289	9,100	17,786	15,348
Other Current Assets	-	445	59	59	59	59	59
<b>Current Assets</b>	<b>72,271</b>	<b>82,734</b>	<b>107,037</b>	<b>116,850</b>	<b>116,866</b>	<b>118,797</b>	<b>119,166</b>
<b>Total Assets</b>	<b>146,804</b>	<b>162,334</b>	<b>193,374</b>	<b>208,408</b>	<b>213,616</b>	<b>220,258</b>	<b>224,848</b>
Creditors & Accruals	45,668	60,384	78,400	88,591	88,626	88,919	92,632
Current Portion of Term Loan	10,913	1,026	4,959	6,014	6,955	8,372	7,686
Taxation	15,099	23,630	31,801	31,801	31,801	31,801	31,801
Bank Overdraft	3,714	1,394	2,736	2,467	2,853	3,435	3,153
Other Current Liabilities	899	1,209	1,558	1,558	1,558	1,558	1,558
<b>Current Liabilities</b>	<b>76,293</b>	<b>87,643</b>	<b>119,454</b>	<b>130,432</b>	<b>131,793</b>	<b>134,085</b>	<b>136,829</b>
<b>Non-current liabilities</b>	<b>22,245</b>	<b>19,996</b>	<b>22,281</b>	<b>23,704</b>	<b>24,790</b>	<b>26,425</b>	<b>25,633</b>
<b>Total Liabilities</b>	<b>98,538</b>	<b>107,640</b>	<b>141,735</b>	<b>154,136</b>	<b>156,583</b>	<b>160,510</b>	<b>162,462</b>
Called up Share capital	396	396	396	396	396	396	396
Share premium Account	32	32	32	32	32	32	32
Share Based Reserve	147	155	123	123	123	123	123
Retained Earnings	44,302	49,637	45,006	47,639	50,401	53,116	55,753
<b>Shareholders' Funds + Liabilities</b>	<b>146,804</b>	<b>162,334</b>	<b>193,374</b>	<b>208,408</b>	<b>213,616</b>	<b>220,258</b>	<b>224,848</b>

Cash Flow	2017	2018	2019	2020E	2021E	2022E	2023E
Operating Cash Flow	61,485	19,236	74,618	49,946	64,006	66,793	72,183
Investing Cash Flow	(2,843)	(2,433)	(10,984)	(12,329)	(12,207)	(12,838)	(11,851)
Financing Cash Flow	(20,070)	(56,574)	(60,691)	(47,743)	(50,489)	(53,144)	(51,646)
<b>Free Cash Flow</b>	<b>58,642</b>	<b>16,803</b>	<b>63,634</b>	<b>37,617</b>	<b>51,799</b>	<b>53,955</b>	<b>60,332</b>

Source: Company, CSL estimates

## Nestle Nigeria, Nm

Profitability Ratios	2017	2018	2019	2020E	2021E	2022E	2023E
Gross Profit Margin	43.3%	44.7%	47.1%	48.0%	48.0%	47.0%	46.0%
Opex/Sales	17.8%	19.4%	19.1%	19.6%	19.6%	19.6%	19.6%
EBITDA Margin	25.5%	25.4%	28.0%	28.4%	28.4%	27.4%	26.4%
Operating Profit Margin	22.8%	22.8%	25.4%	25.6%	25.5%	24.4%	23.2%
PBT Margin	19.2%	22.4%	25.0%	25.2%	25.0%	24.0%	22.8%
Net Profit Margin	13.8%	16.2%	16.1%	17.6%	17.5%	16.8%	16.0%
ROAA	21.3%	27.8%	25.7%	26.2%	26.2%	25.0%	23.7%
ROCE	95.4%	90.2%	97.9%	100.2%	98.1%	94.0%	90.7%
ROAE	89.0%	90.5%	95.4%	112.3%	111.4%	103.8%	95.9%
Dividend Yield	5.2%	7.6%	8.3%	8.3%	8.7%	8.5%	8.3%
Activity Ratios	2017	2018	2019	2020E	2021E	2022E	2023E
Inventory Turnover	6.2x	6.3x	5.3x	4.3x	4.9x	6.0x	6.0x
Days of Inventory on Hand	59 days	58 days	68 days	85 days	74 days	61 days	61 days
Receivables Turnover	8.8x	7.2x	5.3x	4.4x	4.3x	4.3x	4.6x
Days of Sales Outstanding	41 days	50 days	69 days	82 days	85 days	85 days	79 days
Payables Turnover	3.8x	4.7x	3.3x	2.7x	2.7x	2.8x	2.9x
Payable Days	96 days	77 days	112 days	135 days	137 days	129 days	125 days
Operating Performance Ratios	2017	2018	2019	2020E	2021E	2022E	2023E
Total Asset Turnover	1.5x	1.7x	1.6x	1.5x	1.5x	1.5x	1.5x
Fixed Asset Turnover	3.4x	3.7x	3.7x	3.6x	3.6x	3.5x	3.4x
Current Asset Turnover	2.9x	3.4x	3.0x	2.7x	2.7x	2.7x	2.8x
Inventory Turnover	6.2x	6.3x	5.3x	4.3x	4.9x	6.0x	6.0x
Cash Turnover	7.3x	17.2x	25.0x	39.2x	36.3x	24.0x	19.9x
Liquidity Ratios	2017	2018	2019	2020E	2021E	2022E	2023E
Current Ratio	0.9x	0.9x	0.9x	0.9x	0.8x	0.8x	0.8x
Quick Ratio	0.6x	0.6x	0.6x	0.6x	0.6x	0.6x	0.6x
Cash Ratio	0.2x	0.2x	0.1x	0.1x	0.1x	0.1x	0.1x
Solvency Ratios	2017	2018	2019	2020E	2021E	2022E	2023E
Debt-to-Capital Ratio	35%	14%	22%	24%	26%	29%	26%
Net Debt-to-Equity Ratio	20%	-15%	14%	15%	17%	7%	8%
Debt-to-Equity Ratio	54%	17%	29%	32%	35%	40%	35%
Debt-to-Assets Ratio	16%	5%	7%	7%	8%	10%	9%
Leverage	4.2x	3.3x	3.7x	4.3x	4.3x	4.1x	4.0x
Investment Valuation Ratios	2017	2018	2019	2020E	2021E	2022E	2023E
Price-to-Earnings Ratio	18.0x	14.1x	13.3x	11.5x	11.0x	11.2x	11.5x
Price-to-Book Ratio	13.5x	12.1x	13.3x	12.6x	11.9x	11.3x	10.8x
Price-to-Sales Ratio	2.5x	2.3x	2.1x	2.0x	1.9x	1.9x	1.8x
EV/EBITDA	9.9x	8.9x	7.7x	7.2x	6.9x	6.9x	7.0x
EV/Sales	2.5x	2.2x	2.2x	2.1x	1.9x	1.9x	1.9x
Free Cash Flow Yield	0.0x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x
Y/y growth	2017	2018	2019	2020E	2021E	2022E	2023E
Revenues	34.2%	9.1%	6.7%	5.2%	5.6%	2.2%	2.2%
Gross Profit	32.5%	12.6%	12.3%	7.3%	5.6%	0.1%	0.1%
Total Opex	22.3%	18.4%	5.2%	8.0%	5.6%	2.2%	2.2%
EBITDA	40.7%	8.6%	17.7%	6.8%	5.6%	-1.4%	-1.5%
EBIT	45.8%	8.9%	18.8%	6.4%	5.2%	-2.5%	-2.7%
PBT	117.3%	27.6%	19.0%	5.8%	4.9%	-1.7%	-2.8%
Net Profits	325.5%	27.5%	6.2%	15.3%	4.9%	-1.7%	-2.8%
EPS	325.5%	27.5%	6.2%	15.3%	4.9%	-1.7%	-2.8%
DPS	300.0%	46.3%	8.5%	-0.6%	4.9%	-1.7%	-2.8%

Source: Company, CSL estimates

## Analyst Certification

Each research analyst(s) principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all the views expressed in this research report accurately reflect their personal views about those issuer(s) or securities that the research analyst covers in this research report. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this research report.

## Important disclosures

### Ratings and Target Price History

#### Nestle Nigeria

Date	Price (N)	Old Target (N)	New Price Target (N)	Old recommendation	New recommendation
25-Aug-14	1080.0	821.8	821.8	Hold	Hold
11-Feb-15	764.8	821.8	Under Review	Hold	Under Review
26-Feb-15	824.0	Under Review	Under Review	Under Review	Under Review
27-Feb-15	839.0	Under Review	777.6	Under Review	Hold
5-Jun-15	870.0	777.6	777.6	Hold	Hold
17-Jun-15	850.0	777.6	777.6	Hold	Hold
29-Oct-15	830.0	777.6	777.6	Hold	Hold
8-Feb-17	646.0	777.6	709.9	Hold	Hold
27-Oct-17	1230.0	709.9	1,035.7	Hold	Hold
15-Jan-18	1450.5	1,035.7	1,246.1	Hold	Sell
5-Mar-18	1400.0	1,246.1	1,514.2	Sell	Hold
1-May-18	1599.0	1,514.2	1,586.6	Hold	Hold
30-Oct-18	1380.0	1,586.6	1,571.9	Hold	Hold
28-Jan-18	1450.0	1,571.9	1,410.5	Hold	Hold
22-Mar-19	1500.0	1,410.5	1,441.7	Hold	Hold
6-Aug-19	1270.0	1,441.7	1,549.5	Hold	Buy
8-Nov-19	1150.0	1,549.5	1,409.6	Buy	Buy

### CSL Research Ratings Distribution

	BUY	HOLD	SELL	Not Rated	Total
Coverage universe	16	11	3	3	33
% distribution	48%	33%	9%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

### Explanation of CSL Research's equity research rating system

- Buy:** The analyst expects the stock to outperform the Benchmark over the next 12 months or the stated investment horizon.
- Hold:** The analyst expects the stock to perform in line with the Benchmark over the next 12 months or the stated investment horizon.
- Sell:** The analyst expects the stock to underperform the Benchmark over the next 12 months or the stated investment horizon.
- Not Rated:** The rating and price target have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when FCMB Bank UK or the Group is acting in an advisory capacity in a merger or

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**Benchmark:** The benchmark is the trailing three year average yield of the 12 month T-Bill plus one standard deviation rounded to the nearest percent.

**Price targets:** Price targets, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings fall short of estimates.

**Asset allocation:** Asset allocation is the responsibility of the strategy team. The recommended weight (Buy, Hold and Sell) for equities, cash and fixed income instruments is based on a number of metrics and does not relate to a particular size change in one variable.

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- F. FCMB Bank UK or the Group has been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of securities of the company.
- G. The company is a client of the investment banking division of the Group.
- H. FCMB Bank UK or the Group has lead managed or co-lead managed a public offering of the securities of the company within the last 12 months.
- I. FCMB Bank UK or the Group has received compensation for investment banking services from the company within the last 12 months.
- J. FCMB Bank UK or the Group expects to receive, or intends to seek, compensation for investment banking services from the company during the next 3 months.

### Companies from which FCMB Bank UK or the Group's investment banking division has received compensation in the last 12 months

	Buy	Hold	Sell	Not Rated	Total
% distribution	0 0%	0 0%	1 100%	0 0%	1



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